

COUNTY EXECUTIVE'S 2008 BUDGET

DEPT: GENERAL COUNTY DEBT SERVICE

UNIT NO. 9960

FUND: Debt Service - 0016

OPERATING AUTHORITY & PURPOSE

Pursuant to the provisions of Section 67.05(10) of the Wisconsin Statutes, the County Board shall levy, by a recorded resolution, a direct annual irrevocable

tax sufficient to pay the interest on general obligation bond and loan obligations as they fall due, and to pay the bond principal at maturity.

BUDGET SUMMARY			
	2006 Actual*	2007 Budget	2008 Budget
<u>Expenditures</u>			
Debt Service Principal (8021)	\$ 35,932,127	\$ 38,619,220	\$ 47,032,113
Debt Service Interest (8022)	19,323,903	19,884,393	19,546,854
Total Principal and Interest	\$ 55,256,030	\$ 58,503,613	\$ 66,578,967
Interest Allocation (9880)	(4,135,298)	(4,217,258)	(4,247,540)
Total Expenditures	\$ 51,120,731	\$ 54,286,355	\$ 62,331,427
<u>Contributions</u>			
Reserve for County Bonds (4703)	\$ 2,188,953	\$ 3,411,558	\$ 3,009,454
Total Contributions	\$ 2,188,953	\$ 3,411,558	\$ 3,009,454
<u>Revenues</u>			
Jail Assessment Surcharge (1315)	\$ 1,360,473	\$ 1,425,000	\$ 1,360,000
Investment Earnings on Bonds (1843)	1,065,593	0	0
Golf Course Enhancement Fee - Debt Service (4702)	0	0	300,000
Sale of Capital Asset (4905)	2,596,000	3,796,000	2,919,000
Revenue from Project Rents (4999)	1,303,670	1,293,557	1,311,060
Total Revenues	\$ 6,325,736	\$ 6,514,557	\$ 5,890,060
Direct Property Tax Levy**	\$ 42,606,043	\$ 44,360,240	\$ 53,431,913

* 2006 actual excludes balance sheet entries to record principal retired for proprietary fund departments. This adjustment is intended to allow 2006 information to be reported on a basis comparable to the subsequent year budget summaries.

** County sales and use tax revenues are dedicated primarily to the payment of general obligation debt service costs. For budgetary purposes, the County's pledge to levy ad valorem taxes for the payment of debt service payments treats sales tax revenues and property tax revenues as fungible (interchangeable).

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Summary of Bonds and Notes Outstanding

Type of Issue	True Interest Rate	Date of Bond Issue	Final Maturity Date	Bonds or Notes Outstanding 12/31/07	2008 Budget Requirements	
					Principal	Interest
R	5.04	10/15/93	10/01/11	\$ 17,095,784	\$ -	\$ -
R	4.23	03/01/99	10/01/12	15,515,000	3,175,000	655,163
C	4.48	05/01/99	10/01/14	3,575,000	-	178,750
A	4.60	05/01/99	10/01/14	3,185,000	455,000	147,648
R	4.67	05/27/99	10/01/13	1,060,000	155,000	49,835
C	5.46	03/01/00	09/01/15	6,600,000	3,300,000	354,750
C	4.40	04/01/01	10/01/16	22,500,000	2,500,000	1,125,000
TB	6.06	06/01/01	12/01/11	1,000,000	250,000	61,625
R	3.87	10/01/01	12/01/11	27,750,000	9,675,000	1,110,000
AR	4.47	10/01/01	12/01/11	580,000	145,000	25,230
R	4.08	06/01/02	09/01/11	23,575,000	7,875,000	1,178,750
C	4.20	02/01/02	08/01/17	25,250,000	2,525,000	1,281,438
C	3.95	02/01/03	08/01/18	19,050,000	1,725,000	957,000
R	3.48	07/01/03	08/01/17	100,025,000	-	3,363,805
R	2.22	10/01/03	12/01/08	6,405,000	6,405,000	160,125
C	3.72	02/01/04	08/01/19	22,645,000	1,690,000	826,656
C	4.24	06/01/06	12/01/20	22,400,000	1,350,000	970,200
R	3.89	02/01/06	10/01/15	62,600,000	100,000	3,136,663
C	4.14	04/01/07	10/01/21	30,130,000	1,150,000	1,495,000
C	4.12	06/01/08	12/01/22	32,625,000	525,000	1,978,763
Projected Outstanding Balance as of December 31, 2007 and Associated Debt Service				\$ 443,565,784	\$ 43,000,000	\$ 19,056,401
STFLP-Pensio	6.00	03/15/04	03/15/09	\$ 8,024,727	\$ 3,894,857	\$ 482,803
STFLP-Equip	2.75	03/15/05	03/15/09	278,286	137,256	7,653
				\$ 8,303,013	\$ 4,032,113	\$ 490,456
				\$ 451,868,797	\$ 47,032,113	\$ 19,546,855
2008 Total Budgeted Debt Service for General Obligation Bonds					\$	62,056,399
2008 Total Budgeted Debt Service for State Trust Fund Loan						4,522,569
						<u>\$ 66,578,968</u>

Type of Issue Explanation

A -Airport Bonds
 B -Building Bonds
 C -Corporate Purpose Bonds
 D -Detention Facility Bonds
 N -General Obligation Note
 R -Refunding Bonds
 AR-Airport Refunding Bonds
 TB-Taxable Bonds
 STFLP- State Trust Fund Loan Program

DEBT SERVICE CONTRIBUTIONS

Reserve for County Bonds (4703)

A contribution of \$3,009,454 from the Reserve for County Bonds is anticipated for 2008.

The reserve proceeds consist of accrued interest and unallocated proceeds of \$109,454 from the sale of the 2007 General Obligation Corporate Purpose Bonds that will be applied towards the 2008 interest payment for the bonds in accordance with State Statute. In addition, \$900,000 in surplus 2006 bond proceeds from the capital project WC048 –

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Courthouse Annex Demolition and Surface Lot Reconstruction is budgeted to be applied towards the 2008 interest payment on the bonds. Also, \$2,000,000 was deposited in the debt service reserve from the 2006 surplus. These funds will be applied towards the 2008 debt service payment.

As of September 2007, the debt service reserve balance is \$2,094,316.

Jail Assessment Surcharge (1315)

Jail Assessment Surcharge Revenue of \$1,360,000 is projected to be used to pay 2008 debt service costs for the construction of the Criminal Justice Facility (CJF) as allowed by Wisconsin Statutes Section 302.46(2).

Golf Course Enhancement Fee – Debt Service (4702)

Beginning in 2008, a new Golf Course Enhancement Fee is created (50 cent for every nine holes of golf played) with the revenue generated dedicated to offset debt service expenditures for capital improvements related to golf courses. The estimated revenue amount from the Golf Course Enhancement Fee is \$300,000.

Sale of Capital Asset (4905)

Doyle Hospital Sale Revenues

Based on the sale agreement between Milwaukee County and Froedtert Memorial Lutheran Hospital (Froedtert), the County will receive annual payments over 20 years beginning in 1997 and ending in 2016 based on the net operating cash flow generated by Froedtert. Based on 5.25 percent of net operating cash flow, the estimated revenue for 2008 is \$2,919,000.

Year	Budget	Actual	Surplus / Deficit
2005	\$ 3,434,000	\$ 4,018,000	\$ 584,000
2006	\$ 4,018,000	\$ 2,596,000	\$ (1,422,000)
2007	\$ 3,796,000	\$ 2,919,000	\$ (877,000)

Revenue from Project Rents (4999)

Milwaukee Kickers Soccer Club

The County issued a total of \$3,750,000 in 1994 and 1995 General Obligation Bonds for the Milwaukee

Kickers Soccer Club (MKSC) for the purpose of purchasing land and developing an indoor/outdoor sports complex to be located at the Uihlein Soccer Park at 7101 West Good Hope Road in Milwaukee. The MKSC agreed to repay the County for debt service on these bonds.

On July 23, 1998, the County Board of Supervisors approved Resolution File No. 98-427, which authorized an amendment of the lease agreement between the MKSC and Milwaukee County to restructure the lease payment schedule. The new payment plan reflects the donation to MKSC of the Uihlein Soccer Park land and associated costs by establishing a level payment schedule of \$430,000 annually and extending the schedule from 2010 to 2011, beginning in 1998.

In addition, the payment dates were changed from June and December to August and February, beginning in 1999. On October 18, 2001, Milwaukee County issued \$49,925,000 in Corporate Purpose Refunding Bonds to refund a portion of the 1994, 1995 and 1996 bonds. The bonds sold at a premium, which has been budgeted under the Debt Service Revenues section. A portion of the refund savings and premium have been applied to the outstanding Milwaukee Kickers debt, which has reduced the lease payment from \$430,000 to \$424,000 for 2003 and future years.

The payment amount for 2008 is \$424,000.

Marcus Center Renovation

The County issued a total of \$5,802,000 in General Obligation Bonds during 1994 and 1995 for the purpose of renovating the interior of the Marcus Center for the Performing Arts. The Marcus Center is undertaking a private fund-raising effort to repay the County for bonds issued for this \$12.7 million project. Based on information provided by the Marcus Center, current pledges are sufficient to repay bonds issued by Milwaukee County for this project. The budget amount for 2008 is \$453,460.

Intergovernmental Cooperation Council

The County issued \$2,500,000 General Obligation Building Bonds, Series 1997A on July 17, 1997 on behalf of the Intergovernmental Cooperation Council (ICC) for the development of an animal control shelter. The County and ICC have developed a final agreement as required for the release of the bond

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proceeds to the ICC. The ICC will repay the County for actual debt service costs on this issue.

In 2005, Milwaukee County refunded the debt, which resulted in savings of \$55,643 over the life of the issue. The debt service payments reflect the savings per maturity.

Reimbursement for debt service costs for 2008 totals \$220,720.

Private Geographic Members (PGMs)

In 2003, Milwaukee County issued general obligation bonds to finance Project WG008 – Milwaukee County Grounds Roadway Rehabilitation. Milwaukee County Ordinance 98.01 states that the Private Geographic Members (PGM's) shall share in the cost of improvements at the County Grounds on an equitable basis. The PGM's consist of Milwaukee County (DHHS – Behavioral Health Division), Froedtert Hospital, Children's Hospital, Medical College of Wisconsin, Curative Rehabilitation and Blood Center of Southeastern Wisconsin.

The cost allocations for improvements are based on a cost sharing formula that is determined by the square footage of building area that the geographic members bear to the total gross square feet of the building area of all geographic members combined. The square footage is evaluated annually and is expressed as a percentage. Presently, the allocation for the County is 17.8 percent and the combined percentage for the remaining PGM's is 82.2 percent. Therefore, 82.2 percent of the debt service costs for the roadway improvements will be paid by the remaining PGMs. The budgeted amount for 2008 is \$212,880.

State Trust Fund Loan Program

In 2004, Milwaukee County borrowed \$539,524 from the State Trust Fund Loan Program to finance various equipment items. The County borrowed an additional \$18,627,012 to finance a portion of its pension contribution variance. The amortization period is four years for the equipment loan and five years for the pension loan. The 2008 principal and interest amounts for the equipment loan are \$137,256 and \$7,653, respectively. The 2008 principal and interest amounts for the pension loan are \$3,894,857 and \$482,803, respectively. These amounts are included in the account 8021 and 8022

for the payment of principal and interest. The total loan payment for 2008 is \$4,522,569.

The County has received approval for a \$1,000,000 loan from the State Trust Fund Loan Program to finance housing for persons with mental illness. The estimated annual payment is \$147,000 and the first payment will be due on March 15, 2009. The 2008 Recommended Capital Improvements Budget includes an additional \$1,000,000 loan from the State Trust Fund Loan Program to finance special needs housing to serve clients of the Behavioral Health Division. If approved, the first payment of this loan would not be due until 2009 or 2010.

1993 Levy Rate Cap: Effective August 12, 1993, Section 59.605, Wisconsin Statutes imposed a property tax rate limit for Wisconsin counties. Separate limits were imposed for operating levy rates and debt service levy rates. The operating levy rate is \$4.08 per \$1,000 equalized value and the debt levy rate limit is \$1.42 per \$1,000 equalized value. The baseline for the rate limit is the 1992 actual tax rate adopted for 1993 budget purposes. The County cannot exceed the operating levy rate and debt levy rate limits unless one or more conditions apply, as described below. The statute establishes specific penalties for failure to meet the tax rate limit requirements. Among the penalties for exceeding the tax rate limits are reductions in State shared revenues and transportation aids.

Under the terms of the 1993 levy rate cap, general obligation debt can be issued only if one of the following conditions is met: (1) a referendum is held that approves the debt issuance; (2) the County Board of Supervisors adopts a resolution that sets forth its reasonable expectation that the issuance of the debt will not cause the County to increase the debt levy rate; (3) the issuance of the debt was authorized by an initial resolution adopted prior to the effective date of 1993 Wisconsin Act 16 (August 12, 1993); (4) the debt is issued for certain specified purposes, including financing regional projects under Section 67.5(7)(f); (5) the debt is issued to fund or refund outstanding municipal obligations; or (6) the County Board of Supervisors adopts an initial resolution authorizing the issuance of the debt by a vote of at least three-fourths of the members-elect of the County Board.

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2005 Levy Cap: Effective July 27, 2005, Section 66.0602, 2005 Wisconsin Act 25 Local Levy Limits were enacted so that no city, village, town or county may increase its levy in any year by a percentage that exceeds the political subdivision's valuation factor. The "valuation factor" means a percentage equal to the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current year but not less than 2.

The 2005 levy cap combines operating and debt service levy amounts. The conditions under which the levy limit may be adjusted include:

- (a) if a political subdivision transfers to another governmental unit responsibility for providing any service that the political subdivision provided in the preceding year, the levy increase limit otherwise applicable under this section to the political subdivision in the current year is decreased to reflect the cost that the political subdivision would have incurred to provide that service as determined by the department of revenue;
- (b) if a political subdivision increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit that provided the service in the preceding year, the levy increase limit otherwise applicable under this section to the political subdivision in the current year is increased to reflect the costs of that service, as determined by the department of revenue;
- (c) if a city or village annexes territory from a town, the city's or village's levy increase limit otherwise applicable under this section is increased in the current year by an amount equal to the town levy on the annexed territory in the preceding year and the levy

- increase limit otherwise applicable under this section in the current year for the town from which the territory is annexed is decreased by that same amount, as determined by the department of revenue;
- (d) (1) if the amount of debt service for a political subdivision is the preceding year is less than the amount of debt service needed in the current year, as a result of the political subdivision adopting a resolution before July 1, 2005, authorizing the issuance of debt, the levy increase limit otherwise applicable to the political subdivision in the current year is increased by the difference between these two amounts, as determined by the department of revenue and (2) if the limit does not apply to amounts levied by a political subdivision for the payment of any general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision, interest on outstanding debt of the political subdivision, or the payment of related issuance costs or redemption premiums, authorized on or after July 1, 2005, and secured by the full faith and credit of the political subdivision;
 - (e) the limit does not apply to the amount that a county levies in that year for a county children with disabilities education board; and, (f) the limit does not apply to the amount that a 1st class city levies for school purposes. The County is required to comply with both the 1993 levy rate cap and the 2005 levy cap.

The 2005 levy cap sunset at the end of fiscal year 2006. The pending State Budget (Senate Bill 40) includes provisions to reinstate levy limits for the 2007 and 2008 levies. At the time of publication, the State Budget has not been finalized.

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INTEREST ALLOCATION (9880)

Org. No.	Capitalized and Operating Interest Expense for Proprietary Fund Departments	2008 Amount
1162	DAS-Information Management Services Division	\$ 537,090
5041	DPW-Airport Divison	275,820
5300	DPW-Fleet Maintenance Division	333,660
5605	Milwaukee County Transit/Paratransit Services	993,470
5725	DPW-Facilities Management Division	817,300
1200-1850	Capitalized Interest	<u>1,290,200</u>
	Total	\$ 4,247,540